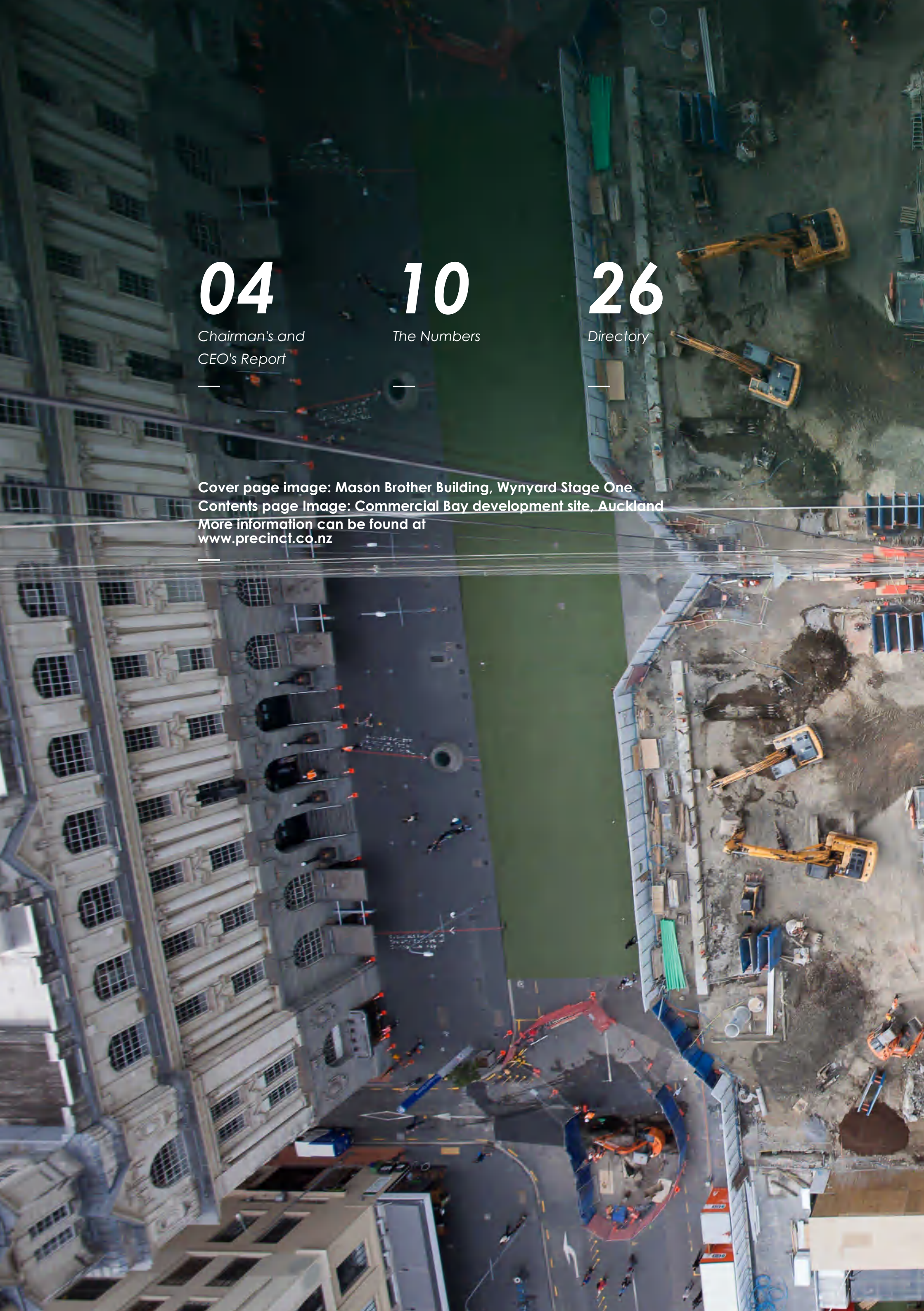
COMMITTING TO OUR **STRATEGY**

INTERIM REPORT **2017**

Precinct
PROPERTIES NEW ZEALAND



Cover page image: Mason Brother Building, Wynyard Stage One
Contents page Image: Commercial Bay development site, Auckland
More information can be found at www.precinct.co.nz


TRANSFORMING THE PRECINCT FROM THE GROUND UP.

CHAIRMAN'S AND CEO'S REPORT

RESULTS OVERVIEW

In the period we achieved a number of milestones across our business and have significantly advanced our long term strategy.

We committed to and commenced works at Bowen Campus in Wellington, progressed works at Commercial Bay including the demolition of the old shopping centre, enjoyed leasing success at Commercial Bay and pleasingly in December completed the Mason Brothers building at Wynyard Quarter Stage One.

At Mason Brothers, we successfully leased the remaining vacant office space. This sees the $35.9 million building 100% leased on completion on an average lease term of 8.4 years.

Leasing momentum at Commercial Bay continues. The commitment by DLA Piper to 2,700 square metres within the new tower takes the towers pre-leasing, by income, to 64%. Importantly this commitment comes from outside the portfolio and illustrates the attraction of this CBD waterfront precinct. Pre-leasing across all of Precincts office developments is now 77%.

"LEASING MOMENTUM AT COMMERCIAL BAY CONTINUES ILLUSTRATING THE ATTRACTION OF THIS CBD WATERFRONT PRECINCT."

>> **Craig Stobo**, Chairman.

Enhancing the strategy

In addition to these milestones, we are excited to announce the conditional acquisition of a 50% interest in Generator. Generator, established in 2011, operates 3,000 square meters of co-working space over three sites within the Britomart precinct in Auckland's CBD.

The Generator business model has a strong emphasis on the community of businesses which use the space as well as on the range of spaces and services it offers.

"GENERATOR IS WELL ALIGNED WITH PRECINCT'S VALUES AND ITS STRATEGY OF BEING A CITY CENTRE SPECIALIST."

>> **Scott Pritchard**, CEO.

Generator is well aligned with Precinct's values and its strategy of being a city centre specialist. It has a strong management team and offers the opportunity to enhance the amenity and service levels that Precinct can offer its clients, and will also enable Precinct to expand its client base with smaller businesses, growing occupancy and demand.

INTERIM RESULTS

Net profit after tax for the six months ended 31 December 2016 was $39.1 million (31 December 2015: $34.8 million).

$39.1 M

Net profit after tax

Net operating income, which adjusts for a number of non-cash items, increased $3.1 million to $38.8 million (31 December 2015: $35.7 million) or 3.20 cents per share (cps).

Dividend attributed to the six months ending 31 December 2016 totalled 2.80 cps (31 December 2015: 2.70 cps) representing an increase in dividend of 3.7%.

+3.7 %

Increase in dividend over the comparable period

MASON BROTHERS BUILDING, WYNYARD QUARTER STAGE ONE

KEY FINANCIAL INFORMATION

($ millions unless otherwise stated)	31 December 2016	31 December 2015	Change
Gross rental revenue	**64.3**	74.9	(14.2%)
Operating income before indirect expenses	**45.9**	53.7	(14.5%)
Net operating income before tax	**39.4**	42.6	(7.5%)
Net operating income[1]	**38.8**	35.7	8.7%
Net profit after taxation	**39.1**	34.8	12.4%
Earnings per share based on operating income before tax	**3.25 cents**	3.52 cents	(7.7%)
Earnings per share based on operating income after tax	**3.20 cents**	2.95 cents	8.5%
Net distribution (cents per share)	**2.800 cents**	2.700 cents	3.7%
Payout Ratio	**87%**	92%	(4.4%)

The information set out above has been extracted from the financial statements set out on pages 11 to 23.

1 Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

($ millions unless otherwise stated)	31 December 2016	30 June 2016	Change
Total assets	**1,844.2**	1,738.6	6.1%
Total liabilities	**427.6**	327.7	30.5%
Total equity	**1,416.6**	1,410.9	0.4%
Shares on issue (million shares)	**1,211.1**	1,211.1	0.0%
NTA per share	**117.0 cents**	116.5 cents	0.4%
Gearing ratio at balance date[1]	**20.1%**	14.4%	39.6%

1 For loan covenant purposes deferred tax losses and fair value of swaps are not included in the calculation of gearing ratio.

CHAIRMAN'S AND CEO'S REPORT *(CONTINUED)*

Net property income (NPI) reduced to $45.9 million (31 December 2015: $53.7 million). After adjusting for recent asset sales and forgone income associated with our development projects, like for like income was $0.7 million lower than the comparative period. This reduction was a result of the 14 November Kaikoura earthquake. After allowing for the rental abatement at Deloitte House and earthquake related costs like for like income was slightly higher than the comparative period.

Net interest expense decreased from $6.0 million to $1.6 million despite higher debt levels. The reduction reflected capitalised interest associated with the three development projects currently in progress.

To the six months ending 31 December 2016 Precinct outperformed the benchmark New Zealand listed property sector return (excluding Precinct) by 4.3%. In line with the agreed process, no performance fee was payable and instead the outperformance offset historical underperformance.

Consistent with previous guidance, tax expense fell by $6.3 million to $0.6 million. This reflected lower pre-tax profit, a higher level of deductible leasing costs and the disposal of depreciable assets at Bowen Campus.

The fair value gain in financial instruments of $15.3 million was a result of the increase in interest rates following the US elections.

An internal review of the 30 June 2016 property valuations indicated no material value movement in the period for all the assets apart from Deloitte House in Wellington.

Precinct's structural engineer, Holmes Consulting, was instructed to undertake a detailed structural investigation of Deloitte House which concluded relatively minor structural damage had occurred. Notwithstanding this, further detailed assessments have identified that the seismic strength of the building is lower than previously understood. The provisional estimated cost associated with remediating the damage and making seismic improvements resulted in the independent valuation of Deloitte House falling by $12.1 million to $33.4 million (June 2016: $45 million).

After allowing for Deloitte House, the 31 December 2016 investment property book values were consistent with Precinct's policy of carrying investment property at fair value.

The value of net tangible assets per share at interim balance date was $1.17 (June 2016: $1.17).

CAPITAL MANAGEMENT

Development spend at Wynyard Quarter, Bowen Campus and Commercial Bay led to total borrowings increasing to $324 million (30 June 2016: $221 million). Reflecting the increase in total borrowings and the unconditional commitment to Queen Elizabeth Square, gearing increased to 20.1% (30 June 2016: 14.4%) .

20.1%

Gearing as at 31 December 2016

Precinct has total debt facilities of $1 billion with a weighted average term to expiry of 4.5 years (30 June 2016: 5 years). As the developments progress Precinct will look to diversify its long term borrowings and increase its weighting to non bank sources.

As at 31 December Precinct was 85% hedged through the use of interest rate swaps (30 June 2016: 90%). The weighted average interest rate including all fees was 5.8% at 31 December 2016 (30 June 2016: 5.4%).

OPERATIONAL UPDATE

Leasing over the period has been strong with overall occupancy rising to 99% (30 June 2016: 98%). This was mainly the result of new leases in 157 Lambton Quay and HSBC House. The Auckland portfolio continues to perform well with occupancy maintained at 100%.

Over the 6 months to 31 December 2016, Precinct secured 18 new leases covering 7,354 square metres. This included securing Dimension Data in 157 Lambton Quay, maintaining a strong portfolio weighted average lease term of 5.9 years. Vacant space over the 6 months has been significantly reduced, with only around 1,000 square metres of office space remaining.

Precinct settled 41 rent reviews during the period, covering an area of 50,855 square metres. These resulted in a 3.8% uplift on passing rent, and 2.6 % increase on valuation rents at 30 June 2016.

99%

Portfolio occupancy

8.1 YEARS

Weighted average lease term (including developments)

At 31 December Precinct's WALT across the investment portfolio was 5.9 years, increasing to 8.1 years when the development pre-leasing is included (June 2016: 6.3 & 8.2 years). This strong investment portfolio WALT includes the recently opened Mason Brothers Building.

157 LAMBTON QUAY, WELLINGTON

CHAIRMAN'S AND CEO'S REPORT *(CONTINUED)*

DEVELOPMENT PROGRESS

Wynyard Quarter Stage One

The Mason Brothers building reached practical completion fully leased in December. Mason Brothers, valued at $35.9 million, is leased to Warren and Mahoney, ATEED and Mott McDonald on a weighted average lease term of 8.4 years.

The completion of the Mason Brothers Building is a major milestone for the business as it is the first project to be completed and sees Precinct begin to transform its portfolio.

The Innovation Building will be completed in July 2017. Overall Stage One is now 100% leased on an average lease term of 10.5 years and is expected to deliver a return on cost of 15%.

Commercial Bay

Since 30 June 2016 leasing momentum at Commercial Bay has continued with the commitment by DLA Piper to 2,700 square metres, or 2 floors, at the Commercial Bay Tower. We have now leased 64% (June 2016: 60%) of the office tower by income on a weighted average lease term of 13.3 years. This commitment takes the amount of space secured outside the portfolio to 8,000 square metres or around a third of committed leases. Interest in the retail centre remains strong. We look forward to more leasing success in 2017.

64%

Commercial Bay office pre- leasing by income

In December the agreement to acquire Queen Elizabeth Square from Auckland Council became unconditional and all resource consents were obtained. The land has now been incorporated into the Commercial Bay retail development due to open in late 2018.

Construction is progressing well. Demolition of the old Downtown Shopping Centre is now complete. Excavation, retaining and piling have all commenced and are expected to be largely complete by the middle of 2017.

Bowen Campus

Precinct was pleased to announce the Crowns commitment to Bowen Campus in August 2016. The Crown committed to 32,400 square metres of office space (87% office pre-commitment) for a lease term of 15 years.

Works began on the $203 million development in November. The first phase of construction will include the demolition of fixtures and fittings and the removal of the original facade.

ARTIST IMPRESSION OF THE NEW PWC TOWER AT COMMERCIAL BAY

MARKET UPDATE

The overall Auckland CBD office vacancy rate remains at historically low levels reducing to 6.8% as at December 2016 according to the latest CBRE research. This reduced from 7.7% at June 2016, a decrease equivalent to approximately 13,600sqm of vacant space over the six-month period. The Auckland prime CBD office vacancy rate also decreased during the six months to December 2016, down to 2.6% (June 2016: 3.3%) or approximately 17,150sqm.

Historically low vacancy for prime accommodation is being driven by occupiers continuing to upgrade or expand within existing prime space of which there is limited supply. While there are a number of new developments scheduled for completion in 2017, a large amount of this space is subject to pre-commitment. Importantly, the majority of these occupiers are upgrading from secondary office assets and as such this should limit the impact on prime vacancy over this period.

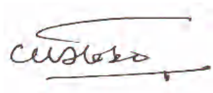
The dynamics of the Wellington office market have changed following the Kaikoura earthquake. It resulted in a significant number of buildings removed from the overall stock for indefinite periods of time. The majority of the previously vacant space with a market acceptable seismic strength has been leased by occupiers affected by earthquake damaged buildings. According to the latest CBRE research the overall Wellington CBD office vacancy rate decreased to 7.9% as of December 2016 down from 12.1% recorded six months earlier at June 2016.

As further investigations and assessments are completed on buildings closed to occupiers this may trigger further occupier relocations. The Wellington prime CBD office vacancy rate has also decreased significantly as a result of earthquake and non-earthquake related leasing. According to the latest survey, prime vacancy decreased to 1.0% (June 2016: 3.4%).

Looking forward, the full impact of the earthquake is unlikely to be fully understood for some time however the outcome of the Wellington Accommodation Project (WAP 2) in August 2016 has provided more clarity around Government occupier relocations with the vacancy impact now anticipated to be more moderate than previously assessed.

OUTLOOK

Full-year operating earnings after tax are expected to be around 6.2 cents per share (before performance fees). While earnings are expected to be impacted by rental abatement at Deloitte House, this is currently expected to be largely offset by stronger occupancy elsewhere in the Wellington portfolio. Dividend guidance for the 2017 financial year remains unchanged at 5.6 cents per share.

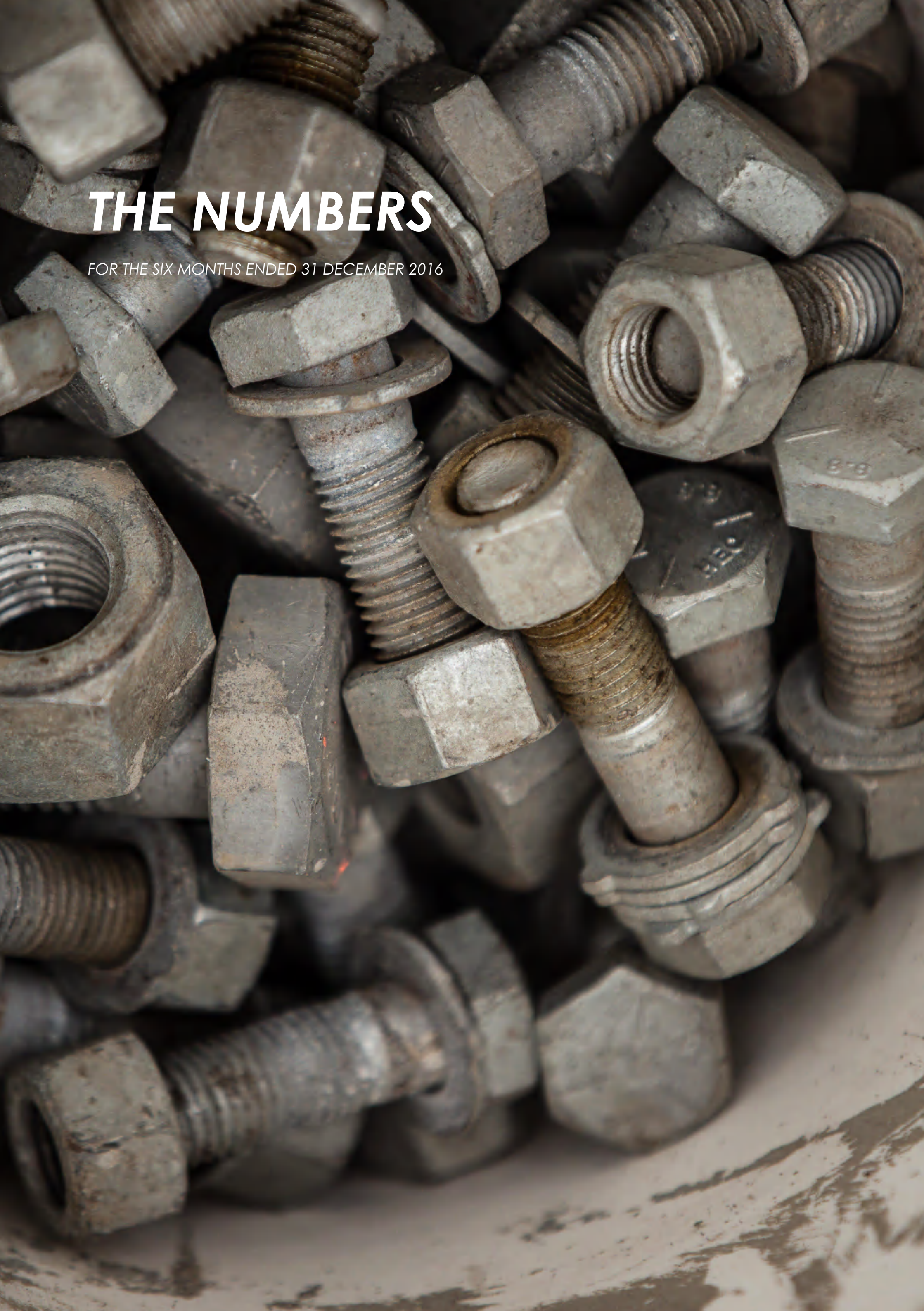


Craig Stobo, Chairman

Scott Pritchard, CEO

THE NUMBERS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

Amounts in $millions	Notes	Unaudited six months ended 31 December 2016	Unaudited six months ended 31 December 2015	Audited year ended 30 June 2016
Revenue				
Gross rental income		**64.3**	74.9	**146.0**
Less direct operating expenses		**(18.4)**	(21.2)	**(41.5)**
Operating income before indirect expenses		**45.9**	53.7	**104.5**
Indirect expenses / (revenue)				
Interest expense		**1.6**	6.2	**11.2**
Interest income		**-**	(0.2)	**(0.2)**
Other expenses	7	**4.9**	5.1	**10.1**
Total indirect expenses / (revenue)		**6.5**	11.1	**21.1**
Operating income before income tax		**39.4**	42.6	**83.4**
Non operating income / (expenses)				
Unrealised net gain / (loss) in value of investment and development properties	6	**(12.1)**	-	**81.2**
Unrealised net gain / (loss) on financial instruments		**15.3**	4.3	**(16.4)**
Net realised gain / (loss) on sale of investment properties	6	**-**	(2.7)	**(2.7)**
Total non operating income / (expenses)		**3.2**	1.6	**62.1**
Net profit before taxation		**42.6**	44.2	**145.5**
Income tax expense / (benefit)				
Current tax expense		**0.6**	6.9	**10.6**
Depreciation recovered on sale		**-**	10.0	**10.0**
Deferred tax expense / (benefit) - financial instruments		**4.3**	1.2	**(4.6)**
Deferred tax expense / (benefit) - depreciation		**(1.4)**	(8.7)	**(8.7)**
Total taxation expense / (benefit)		**3.5**	9.4	**7.3**
Net profit and total comprehensive income after income tax attributable to equity holders		**39.1**	34.8	**138.2**
Earnings per share (cents per share)				
Basic and diluted earnings per share	9	**3.23**	2.87	**11.41**
Other amounts (cents per share)				
Operating income before income tax per share	9	**3.25**	3.52	**6.89**
Net operating income per share	9	**3.20**	2.95	**6.01**

The accompanying notes on pages 15 to 23 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

Amounts in $millions unless otherwise stated	Cents per share	Shares (m)	Ordinary shares	Retained earnings	Total equity
At 1 July 2015		1,211.1	1,046.7	291.6	1,338.3
Total comprehensive income for the period				34.8	34.8
Distributions					
FY15 Q4 final distribution	1.35			(16.4)	(16.4)
FY16 Q1 interim distribution	1.35			(16.4)	(16.4)
At 31 December 2015		1,211.1	1,046.7	293.6	1,340.3
Total comprehensive income for the period				103.4	103.4
Distributions					
FY16 Q2 interim distribution	1.35			(16.4)	(16.4)
FY16 Q3 interim distribution	1.35			(16.4)	(16.4)
At 30 June 2016		1,211.1	1,046.7	364.2	1,410.9
Total comprehensive income for the period				**39.1**	**39.1**
Distributions					
FY16 Q4 final distribution	**1.35**			**(16.4)**	**(16.4)**
FY17 Q1 interim distribution	**1.40**			**(17.0)**	**(17.0)**
At 31 December 2016		**1,211.1**	**1,046.7**	**369.9**	**1,416.6**

All shares have been fully paid, carry full voting rights, have no redemption rights, have no par value and are subject to the terms of the constitution.

The accompanying notes on pages 15 to 23 form part of these Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

Amounts in $millions	*Notes*	*Unaudited six months ended 31 December 2016*	*Audited year ended 30 June 2016*
Current assets			
Cash		**2.3**	2.6
Prepaid tax		**2.0**	-
Debtors		**7.6**	6.8
Total current assets		**11.9**	9.4
Non current assets			
Fair value of derivative financial instruments	11	**17.3**	24.5
Other assets		**1.3**	0.6
Development properties	6	**321.3**	190.4
Investment properties	6	**1,492.4**	1,513.7
Total non current assets		**1,832.3**	1,729.2
Total assets		**1,844.2**	1,738.6
Current liabilities			
Fair value of derivative financial instruments	11	**1.9**	-
Provision for tax		**-**	13.0
Accrued development capital expenditure		**16.4**	10.0
Other current liabilities		**6.9**	10.2
Total current liabilities		**25.2**	33.2
Non current liabilities			
Interest bearing liabilities	10	**333.9**	234.1
Fair value of derivative financial instruments	11	**18.0**	39.0
Acquisition settlement obligation		**26.2**	-
Deferred tax liability		**24.3**	21.4
Total non current liabilities		**402.4**	294.5
Total liabilities		**427.6**	327.7
Total equity		**1,416.6**	1,410.9
Total liabilities and equity		**1,844.2**	1,738.6

Signed on behalf of the Board of Precinct Properties New Zealand Limited, who authorised the issue of these financial statements on 15 February 2017.

DON HUSE
CHAIRMAN AUDIT & RISK COMMITTEE

CRAIG STOBO
CHAIRMAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

Amounts in $millions	Unaudited six months ended 31 December 2016	Unaudited six months ended 31 December 2015	Audited year ended 30 June 2016
Cash flows from operating activities			
Gross rental income per statement of comprehensive income	**64.3**	74.9	**146.0**
Less: Current year incentives	**(0.9)**	(0.6)	**(1.3)**
Add: Amortised incentives	**1.7**	1.6	**3.4**
Add: Working capital movements	**(1.8)**	0.4	**(0.4)**
Cash flow from gross rental income	**63.3**	76.3	**147.7**
Interest income	**-**	0.2	**0.2**
Property expenses	**(23.9)**	(21.0)	**(41.6)**
Other expenses	**(4.5)**	(8.3)	**(9.7)**
Interest expense	**(1.1)**	(8.6)	**(13.6)**
Income tax	**(15.6)**	(9.0)	**(13.5)**
Net cash inflow / (outflow) from operating activities	**18.2**	29.6	**69.5**
Cash flows from investing activities			
Capital expenditure on investment properties	**(10.4)**	(18.6)	**(26.6)**
Capital expenditure on development properties	**(70.0)**	(6.4)	**(40.3)**
Capital expenditure on other assets	**(0.7)**	-	**(0.2)**
Disposal of investment properties	**-**	171.2	**170.3**
Capitalised interest on development properties	**(7.4)**	-	**(2.7)**
Net cash inflow / (outflow) from investing activities	**(88.5)**	146.2	**100.5**
Cash flows from financing activities			
Loan facility drawings to fund capital expenditure	**81.1**	25.0	**67.1**
Other loan facility drawings / (repayments)[1]	**22.2**	(15.5)	**(18.8)**
Loan facility cancellations	**-**	(153.0)	**(153.0)**
Distributions paid to share holders	**(33.3)**	(32.7)	**(65.4)**
Net cash inflow / (outflow) from financing activities	**70.0**	(176.2)	**(170.1)**
Net increase / (decrease) in cash held	**(0.3)**	(0.4)	**(0.1)**
Cash at the beginning of the period	**2.6**	2.7	**2.7**
Cash at the end of the period	**2.3**	2.3	**2.6**

1 Loan facility drawings are net of repayments made throughout period.

The accompanying notes on pages 15 to 23 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. REPORTING ENTITY

Precinct Properties New Zealand Limited (Precinct) is incorporated in New Zealand and is registered under the New Zealand Companies Act 1993.

Precinct is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

These interim financial statements are those of Precinct and its two 100% owned subsidiaries (the Group).

The Group's principal activity is investment in predominantly prime CBD properties in New Zealand. Precinct is managed by AMP Haumi Management Limited (the manager).

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting.

The financial statements have been prepared:

- On a historical basis except for financial instruments, US private placement notes, investment and development properties which are measured at fair value.
- Using the New Zealand Dollar functional and reporting currency.
- On a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

All financial information has been presented in millions, unless otherwise stated.

These interim financial statements should be read in conjunction with the financial statements and related notes included in Precinct's Annual Report for the year ended 30 June 2016.

Precinct has elected to include additional comparative periods to assist users of the financial statements.

3. FAIR VALUE ESTIMATION

Precinct classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (by price) or indirectly (derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing Precinct's interim financial statements, management continually make judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on Precinct.

All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made by management.

The significant judgements, estimates and assumptions made in the preparation of these interim financial statements are in relation to:

i. Investment and development properties

ii. Deferred tax assets and deferred tax liabilities

iii. Cross currency interest rate swaps and USPP notes

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

5. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

Precinct's financial position and performance was affected by the following events and transactions that occurred during the reporting period:

i. Kaikoura earthquake

The Kaikoura earthquake on 14 November 2016 affected the Wellington portfolio with damage sustained to Deloitte House which has remained unoccupied since. As a result of the building defects identified post earthquake the building has had a $12.1m revaluation loss recorded at 31 December 2016.

ii. Bowen Campus

On 1 November 2016 construction commenced on the Bowen Campus redevelopment project and the value was transferred from investment properties to development properties.

iii. Commercial Bay

On 20 December 2016 the agreement to purchase Queen Elizabeth Square from Auckland Council became unconditional with settlement due in February 2018. During the period construction progressed with demolition of the existing structure completed.

iv. Wynyard Quarter

On 2 December 2016 construction of the Mason Brothers building was completed and the value transferred from development properties to investment properties. The remainder of Wynyard Quarter Stage One was progressed further during the period.

6. INVESTMENT AND DEVELOPMENT PROPERTIES

Amounts in $millions	Valuer[1]	Valuation 30 June 2016	Capitalised incentives	Additions /[2] disposals	Revaluation gain / (loss)	Book value 31 December 2016
Investment properties[3]						
Auckland						
AMP Centre	CBRE	**148.0**	0.2	3.0	-	**151.2**
ANZ Centre - Auckland	JLL	**305.0**	-	0.1	-	**305.1**
HSBC House	Colliers	**121.5**	(0.1)	0.7	-	**122.1**
PwC Tower	CBRE	**313.0**	(0.7)	0.2	-	**312.5**
Zurich House	Colliers	**110.5**	(0.3)	(0.1)	-	**110.1**
Mason Brothers	Colliers	**-**	-	35.9	-	**35.9**
Wellington						
157 Lambton Quay	Bayleys	**109.0**	1.0	2.0	-	**112.0**
Bowen Campus	Colliers	**58.0**	-	(58.0)	-	**-**
Deloitte House[4]	CBRE	**45.0**	0.2	0.3	(12.1)	**33.4**
Mayfair House	Colliers	**38.5**	0.9	0.2	-	**39.6**
No.1 and 3 The Terrace	Colliers	**72.3**	1.0	0.3	-	**73.6**
No. 3 The Terrace[5]	CBRE	**10.9**	-	-	-	**10.9**
Pastoral House	Colliers	**41.0**	1.1	0.7	-	**42.8**
State Insurance Tower	Bayleys	**141.0**	(0.3)	2.5	-	**143.2**
Market value (fair value) of investment properties		**1,513.7**	3.0	(12.2)	(12.1)	**1,492.4**
Development properties[3]						
Wynyard Quarter Stage One	Colliers	**43.4**	-	(9.0)	-	**34.4**
Commercial Bay[6]	JLL	**147.0**	(0.5)	70.3	-	**216.8**
Bowen Campus Stage One	Colliers	**-**	-	59.7	-	**59.7**
Bowen Campus Stage Two	Colliers	**-**	-	10.4	-	**10.4**
Market value (fair value) of development properties		**190.4**	(0.5)	131.4	-	**321.3**

1 30 June 2016 valuer.

2 Additions arise from subsequent expenditure recognised in the carrying amount. Disposals relate to completed sales, unconditional contracts for sale at period-end and transfers to other categories of property.

3 All properties are categorised as level 3 in the fair value hierarchy. All properties are CBD office properties with the exception of Commercial Bay and Wynyard Quarter Stage One which are development sites.

4 Leasehold property on a perpetually renewable lease.

5 No 3 The Terrace relates to the freehold title in respect to Precinct's leasehold interest.

6 Additions include $26.2m for the recognition of the present value of the unconditional agreement to purchase Queen Elizabeth Square from Auckland Council.

7. OTHER EXPENSES

Amounts in $millions	*Unaudited six months ended 31 December 2016*	*Unaudited six months ended 31 December 2015*	*Audited year ended 30 June 2016*
Other expenses			
Audit fees	**0.1**	0.1	**0.2**
Directors' fees and expenses	**0.3**	0.3	**0.6**
Manager's base fees	**3.8**	4.1	**8.1**
Manager's performance fees	**-**	-	**-**
Other[1]	**0.7**	0.6	**1.2**
Total other expenses	**4.9**	5.1	**10.1**

1 Other expenses includes valuation fees, share registry costs and annual report design and publication.

8. RECONCILIATION OF NET PROFIT AFTER TAX TO NET OPERATING INCOME

Net operating income is net profit after tax, before revaluations on investment and development properties, revaluations of derivative financial instruments, realised gain or loss on sale of investment property, tax on disposal of depreciable assets and deferred tax.

Amounts in $millions	*Unaudited six months ended 31 December 2016*	*Unaudited six months ended 31 December 2015*	*Audited year ended 30 June 2016*
Net profit after taxation	**39.1**	34.8	**138.2**
Unrealised net (gain) / loss in value of investment and development properties	**12.1**	-	**(81.2)**
Unrealised net (gain) / loss on financial instruments	**(15.3)**	(4.3)	**16.4**
Net realised (gain) / loss on sale of investment properties	**-**	2.7	**2.7**
Depreciation recovered on sale	**-**	10.0	**10.0**
Deferred tax (benefit) / expense	**2.9**	(7.5)	**(13.3)**
Net operating income	**38.8**	35.7	**72.8**
Weighted average number of shares for net operating income per share (millions)	**1,211.1**	1,211.1	**1,211.1**
Net operating income per share (cents)	**3.20**	2.95	**6.01**

This additional performance measure is provided to assist share holders in assessing their returns for the period.

9. EARNINGS PER SHARE

Amounts in $millions	*Unaudited six months ended 31 December 2016*	*Unaudited six months ended 31 December 2015*	*Audited year ended 30 June 2016*
Net profit after tax for basic and diluted earnings per share ($millions)	**39.1**	34.8	**138.2**
Weighted average number of shares for basic and diluted earnings per share (millions)	**1,211.1**	1,211.1	**1,211.1**

There have been no new shares issued subsequent to balance date that would affect the above calculations.

10. INTEREST BEARING LIABILITIES

Amounts in $millions	*31 December 2016*	*30 June 2016*
Interest bearing liabilities		
Bank loans	**151.5**	48.3
US private placement	**97.9**	97.9
NZ retail bond	**75.0**	75.0
Total drawn debt	**324.4**	221.2
US private placement - fair value adjustments	**13.6**	17.0
Capitalised borrowing costs	**(4.1)**	(4.1)
Net interest bearing liabilities	**333.9**	234.1

Breakdown of borrowings:

Amounts in $ millions	*Held at*	*Maturity*[1]	*Coupon*[1]	*31 December 2016*	*30 June 2016*
Bank loans	Amortised cost	Nov-20	Floating[2]	**151.5**	48.3
NZ retail bond	Amortised cost	Dec-21	5.54%	**75.0**	75.0
US private placement	Fair value	Jan-25	4.13%	**74.7**	76.8
US private placement	Fair value	Jan-27	4.23%	**36.8**	38.1
Total				**338.0**	238.2

Weighted average term to maturity	**4.5 years**	5.1 years
Weighted average interest rate before swaps (including funding costs)	**3.54%**	3.88%

1 As at 31 December 2016

2 Interest rates on bank loans are at the 90-day benchmark borrowing rate (BKBM) plus a margin. Precinct also pays facility fees.

All lenders have the benefit of security over certain assets of the Group. The Group has given a negative pledge which provides that it will not permit any security interest in favour of a party other than the lenders to exist over more than 15% of the value of its properties.

To substantially remove currency risk, US private placement proceeds have been fully swapped back to New Zealand dollars.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Amounts in $millions	31 December 2016	30 June 2016
Fair value of derivative financial instruments		
Current assets	**-**	-
Non-current assets[1]	**17.3**	24.5
Current liabilities	**(1.9)**	-
Non-current liabilities	**(18.0)**	(39.0)
Total	**(2.6)**	(14.5)
Notional contract cover (fixed payer)	**810.0**	730.0
Notional contract cover (fixed receiver)	**75.0**	75.0
Notional contract cover (cross currency swaps - fixed receiver)	**97.9**	97.9
Percentage of net drawn borrowings fixed	**84.8%**	90.5%
Weighted average term to maturity (fixed payer)	**4.50 years**	4.84 years
Weighted average interest rate after swaps (including funding costs)	**5.83%**	5.36%

1 This includes the cross currency interest rate swap valuation of $13.8 million (June 2016: $20.3 million) and a net credit value adjustment of $1.3 million (June 2016: $2.8 million).

Accounting Policy

Derivative financial instruments

Precinct uses derivative financial instruments (interest rate and cross currency swaps) to manage its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and subsequently re-measured and carried at fair value. They are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on re-measurement to fair value is recognised directly in profit or loss.

The fair value is the estimated amount that Precinct would receive or pay to terminate the swap at the balance date, taking into account current rates and creditworthiness of the swap counterparties. This is determined using swap models and present value techniques with observable inputs such as interest rate and cross-currency curves. The fair value of derivatives fall into level 2 of the fair value hierarchy.

12. CAPITAL COMMITMENTS

Precinct has $499.9m of capital commitments as at 31 December 2016 (June 2016: $446.7 million; December 2015: $466.2 million) relating to construction contracts.

13. RELATED PARTY TRANSACTIONS

Fees charged by and owing to the manager:

Amounts in $ millions	*31 December 2016*		*31 December 2015*		*30 June 2016*	
	Fees charged	***Owing at 31 December***	*Fees charged*	*Owing at 31 December*	***Fees charged***	***Owing at 30 June***
Base management services fee	**3.8**	**1.3**	4.1	0.7	**8.1**	**0.6**
Performance fee	**-**	**-**	-	-	**-**	**-**
Leasing fees	**6.5**	**0.2**	2.5	1.3	**2.2**	**0.5**
Development manager fees	**0.9**	**-**	8.6	6.8	**9.7**	**2.8**
Acquisition and disposal fees	**-**	**-**	0.4	-	**0.1**	**-**
Property and facilities management fee	**1.3**	**-**	1.6	-	**2.6**	**- 0.1**

a) Base management services fee

The base management services fee structure is as follows:

- 0.55% of the value of the investment properties to the extent that the value of the investment properties is less than or equal to $1 billion; plus
- 0.45% of the value of the investment properties to the extent that the value of the investment properties is between $1 billion and $1.5 billion; plus
- 0.35% of the value of the investment properties to the extent that the value of the investment properties exceeds $1.5 billion.

These fees are expensed through indirect other expenses in the year in which they arise.

b) Performance fee

The performance fee is based on Precinct's quarterly adjusted equity total returns relative to its peers in the NZ listed property sector as measured by the NZX listed property index. The performance fee is calculated as 10% of Precinct's quarterly performance in excess of a benchmark index, subject to an outperformance cap of 1.25% per quarter and after taking into account any brought forward surpluses or deficits from prior quarters.

Any Initial Amount credited to the Carrying Account which is not used up in paying Performance Fees or in offsetting subsequent Deficits will effectively expire 2 years after it is credited to the Carrying Account. Similarly, any Deficit debited against the Carrying Account which is not used up in off-setting subsequent Initial Amounts will also effectively expire 2 years after it is debited against the Carrying Account.

No performance fee is payable in quarters where equity total returns are negative. As at 31 December 2016 there is a notional performance fee deficit of $10,777,024 to be carried forward to the calculation of performance fees in future quarters (June 2016: $17,569,378 deficit; December 2015: $6,581,863 deficit).

These fees are expensed through indirect other expenses in the year in which they arise.

c) Leasing fees

Precinct pays the Manager leasing fees where the manager has negotiated leases instead of or alongside a real estate agent.

Leasing fees are capitalised to the respective investment or development property in the Statement of Financial Position and amortised over the term certain life of the lease.

d) Development manager fees

Precinct pays development manager fees where the manager acts as development manager on Precinct developments.

These fees are capitalised to the respective investment or development property in the Statement of Financial Position.

e) Acquisition and disposal fees

Precinct pays fees to the manager for managing the sale or purchase of properties instead of or alongside a real estate agent.

Acquisition fees are capitalised to the respective investment or development property in the Statement of Financial Position.

Disposal fees are expensed through net realised gain or loss on sale of investement properties in the year in which they arise.

f) Property and facilities management fee

Precinct pays a property and facilities management fee on a cost recovery basis to the manager.

These fees are expensed through direct operating expenses in the year in which they arise.

g) Other transactions with the manager

Precinct does not employ personnel in its own right. Under the terms of the Management Services Agreement, the manager is appointed to manage and administer Precinct. The manager is responsible for the remuneration of personnel providing management services to Precinct. Precinct's Directors are considered to be the key management personnel and received Directors' fees for the period ended 31 December 2016 of $220,000 (June 2016: $459,685; December 2015: $240,810).

Precinct received rental income from AMP Haumi Management Limited, AMP Capital Investors (New Zealand) Limited, National Mutual Life Association of Australasia Ltd and AMP Services (NZ) Limited, being the Manager or companies related to the Manager for premises leased in PWC Tower, AMP Centre and 157 Lambton Quay. Total rent received by Precinct from these parties during the period ended 31 December 2016 was $1,532,479 (June 2016: $3,018,857; December 2015: $1,497,569). As at 31 December 2016 an amount of $1,548 (June 2016: $781; December 2015: $129) was owing to Precinct from these related parties.

h) Related party debts

No related party debts have been written off or forgiven during the year (June 2016: $nil; December 2015: $nil).

14. EVENTS AFTER BALANCE DATE

On 15 February 2017 the Board approved the financial statements for issue and approved the payment of a dividend of $16,955,689 (1.40 cents per share) to be paid on 16 March 2017.

Chartered Accountants

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF PRECINCT PROPERTIES NEW ZEALAND LIMITED

REPORT ON THE REVIEW OF THE FINANCIAL STATEMENTS

We have reviewed the interim financial statements on pages 11 to 23, which comprise the statement of financial position of the group as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The directors' are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Ernst & Young provides other assurance services to the group including the statutory audit of the group's year-end financial statements and provide limited assurance opinions in respect of individual property expenses. We provide an agreed upon procedures engagement recalculating the performance fee paid to the group's manager. We also provide a certificate to the Trustee commenting on certain matters in relation to the group's secured fixed rate bonds as required by the Trust Deed. Other than the provision of those assurance services and in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms withing the ordinary course of trading activities of the business of the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 11 to 23, do not present fairly, in all material respects, the financial position of the group as at 31 December 2016 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 15 February 2017 and our findings are expressed as at that date.

Ernst + Young

Ernst & Young

Auckland

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Chris Judd – Director
Mohammed Al Nuaimi – Director
Rob Campbell – Director

Officers of Precinct
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Please contact our registrar;

- To change investment details such as name, postal address or method of payment
- To elect to receive electronic communication
- For queries on dividends and interest payments.